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SUBJECT: CONCEPTS FOR BUDGET NEGOTIATIONS ON THE 2008/2009
BUDGET

¶1. The draft resolution on the 2008/2009 biennium budget constituting a compendium of proposals from the G-77, EU, CANZ and others, is expected to be distributed at the end of this week. In anticipation of the intense negotiations that will begin next week, Ambassador Wallace and the USUN/MR team prepared a memorandum outlining for Ambassador Khalilzad the concepts for the negotiations on the 2008/2009 budget. The memo introduced five (not mutually exclusive) across the board approaches that could result in significant savings. All five concepts in paras 2-6 have the benefit of pushing the SYG and the UN to be more efficient in the use of its resources - to do more with less, something the USG and other governments are routinely asked to do. There are, of course, obstacles that each option will encounter. The memo recommends that all five approaches be advocated with a goal of advocating a principled approach to budgeting and returning to the zero growth concept, adopting some reasonable across the board cuts; paras 2-6 briefly describes the five approaches and provides analysis on the potential outcomes.

¶2. Concept 1 - Seek to agree in principle to the proposed \$4.19 billion dollar budget and potential \$.8 billion or so in "add ons" but require the Secretariat to absorb the "add ons" within existing resources. This approach is the simplest to apply in principle but it will be criticized for granting the SYG such a wide ranging opportunity to manage the UN.

¶3. Concept 2 - Establish a UN "real overhead" figure baseline for the 2006/2007 budget, and hold the UN to a "real overhead" baseline in future budgets. This approach has the prospect of significant savings without the need to delegate to the SYG sweeping authority to use positions and resources as he sees fit. However, because of its uniform application across the board to each and every office and program, it lacks the flexibility to differentiate the well managed entities from poorly managed entities. Of course, seeking to allow for distinctions is a formula for endless debate, especially within the Fifth Committee. On the other hand, the SYG could be granted limited discretion under exceptional circumstances, to be defined, to depart from the overall vacancy rate or reduction in non-post costs.

¶4. Concept 3 - Seek an across the board budget reduction on a percentage basis. For example, freeze vacancy rate and hiring at a particular level and establish a fixed (percentage) reduction in non-post costs for the UN overall, but grant the SYG wide discretion to determine how to achieve the overall vacancy rate and fixed reduction in non-post costs. This approach may avoid the criticism that the concept of "real overhead" will draw, but does have the potential to significantly reduce both post and non-post costs while at the same time minimizing the risk of criticism that the approach penalizes well managed entities within the Organization, as it would place the burden on the SYG. However, there is a risk that the SYG would exercise this authority to favor programs that he supports at the expense

of programs that we support.

¶5. Concept 4 - Specifically request the SYG to propose itemized action on mandate review to offset the exact percentage increase ultimately adopted in the budget and tie the budget increase to the organization wide adoption of all UNTAI reforms. Our greatest leverage at the UN is that we pay the lion share of the UN budget - 22%. If we are asked to fund such an extraordinary increase in the budget member states should agree to real and legitimate standards of transparency and accountability across the UN system. Member states will likely object to tying any reforms, including mandate review and UNTAI, to the adoption of the budget. However, by permitting the SYG to propose the most sensible elimination of duplicative and no longer applicable mandates we may obtain a viable path forward on mandate review and identify savings to offset the enormous increase in the budget.

¶6. Concept 5 - Seek action on the UN budget similar to a continuing resolution that would permit the UN to continue operating in the new year and permit the member states to view the entire budget precisely and holistically and permit the SYG to report back on other areas described above. Unlike the previous budget "cap" agreed to by the General Assembly, this approach would not tie further action on the budget to any specific reform. Although an unusual practice, the Fifth Committee Chairman from Malaysia, Hamidon Ali, has proposed this exact approach to continue the Procurement Task Force (PTF). Such an approach addresses the inappropriate piece-meal and ad hoc approach as currently proposed by the SYG.

¶7. As a first step after discussing all five options with Ambassador Khalilzad, USUN has begun to explore the

possibility of a continuing resolution with Secretariat officials and other member states.

¶8. None of these options will be easy to advocate nor certainly delivered.
Khalilzad